Remarks by Secretary Abraham
Alliance to Save Energy
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Good afternoon, I'm very honored to be here.

As we all know, this has been a very interesting year when it comes to energy policy. The California electricity crisis . . . the President's National Energy Plan . . . gas price spikes in the late spring . . . and, more recently, much lower crude oil prices than most experts would have predicted earlier this year. It would be easy to get caught up in the ups and downs, and the day-to-day fluctuations. But, it is far more important to tackle the energy challenges we face on a comprehensive and long-term basis.

This is exactly how we approached the President's National Energy Plan. And it is one reason why I am so optimistic about our energy future. Because, when you look beyond the gloomy headlines, there are some fundamentals about our economy, our entrepreneurs, our technological genius that suggest that sound and long-term energy policies can ensure affordable, plentiful, clean and efficiently produced and employed energy for generations to come.

Achieving that future is what I would like to discuss with you today. But it requires a serious conversation about the challenges we face.

Reduced to its core, I believe we must confront and solve five great challenges:

First, we are well on our way toward a dangerous dependency on a single, depleteable, source of electricity - natural gas.

Second, our emphasis on conservation to date has centered too much on government mandates and not enough on market-based incentives.

Third, our heavy reliance on fossil fuels leaves us increasingly dependent on foreign nations for oil and gas, with serious national security implications.

Fourth, our energy infrastructure - the transmission lines and pipelines that move electricity, gas and oil - is wholly inadequate to meet our needs in the 21st century.

And, finally, our national research and development investments continue to focus primarily on sources of energy - like solar and wind - that are fairly mature, and not sufficiently on promising breakthroughs that could revolutionize our production and use of energy.

Meeting the Challenge

The national energy blueprint we unveiled in May deals with each of these challenges.

The President's Plan confronts our increasing reliance on a single fuel - natural gas - by paving the way for a more desirable balance among many sources of energy. We need to look to renewables like biomass and geothermal, as well as to more traditional sources like clean coal and nuclear. By using technology to increase the efficiency of those sources, we can get more energy and more economic productivity with less impact on our environment and on our communities.

Our Plan promotes energy efficiency and conservation, not by simply relying on government mandates but by making intelligent use of new technologies and information that allow consumers and energy providers to save energy in ways that support economic growth. It relies on energy efficiency and conservation to carry the bulk of meeting our future demand. And as I will outline later, we share many of this organization's long-term visions for energy efficiency.

Our Plan confronts our increasing dependence on a limited number of foreign sources of energy by calling for the diversification of our foreign sources of energy and increased domestic production that relies on new technologies that again dramatically reduce the impact on the environment.

Our Plan confronts our antiquated energy infrastructure with new technologies that allow us to send more and more energy over smaller and smaller lines.

Finally, our Plan addresses the challenges we face in research and development by increasing the movement of mature technologies - like solar, wind and geothermal energy - to the market, while we concentrate more resources on promising technologies that represent the next wave.

You will notice that the promise of technology undergirds the central elements of our plan. In almost every instance, the President's Plan recognizes - indeed, embraces - the potential of high technology.

And we rely upon the genius of the entrepreneur both for our production gains and for the strides we need to make in conservation and energy efficiency. This marks a departure from much of the past thinking on energy issues. We believe that a large part of the solution to our challenges will be found, not just in government councils, but in the efforts of the private sector where innovation flourishes and risk takers push the envelope.

A 21st Century Vision for Energy

Much of the initial reaction to the President's plan was framed in the stale terms of a stale debate. … Production versus conservation…fossil fuels versus renewables … drilling and mining versus preserving the environment … Nothing more than false choices and a blinkered view of the possibilities.

But the most exciting part of the Plan has garnered little notice, and that is the President's vision for the future beyond the next 20 years. Our plan is, after all, a plan for the entire 21st Century.

So, this afternoon, I would like to describe a different world - a more optimistic world - a world in which the debates of today are rendered largely irrelevant by a host of exciting new developments, ones that many of you have been working to achieve.

We foresee a world of cleaner, smaller, and more efficient units of power generation. We foresee more individual choice, more competition, and a closer approximation of a true market for energy in America. And we foresee increased reliability, increased supply, and lower prices.

To achieve our vision of greater individual choice, our Plan embraces exploring the idea of distributed energy.

The concept of distributed energy is broad, but at its essence it means moving from our almost exclusive reliance on big power plants toward smaller sources of power . . . toward a day when consumers can respond to price signals . . . toward smarter factories, buildings and homes.

Distributed energy means moving away from a transmission system in which power only flows one way - from a plant to your home - and, instead, contemplates a two-way electricity grid where homes or businesses can sell their surplus power back to the grid.

To accomplish this, we need investments in the electronic controls, switchgears, inverters, and rectifiers that will give industrial, commercial, and residential users some measure of independence from the central grid.

In such a world, you could generate your own power with a micro-turbine at home, and reap the benefits of your own efficiency by conserving and selling excess power into the grid.

Distributed energy would increase reliability by ensuring that, if something did happen to interrupt power on the grid, you could depend on backup power - from virtually your own backyard. And it would also increase energy efficiency by placing the source of power closer to the consumer - thereby diminishing transmission and distribution line losses of electricity.

Distributed energy also means moving away from our current one-size-fits-all pricing system to one in which the Internet or other communication systems allow consumers to use power efficiently and reap the benefits of lower costs.

Right now, the typical electricity bill has a set price per kilowatt hour, no matter when electricity is used. But, of course, the basics of supply and demand mean that power at certain times of day - peak usage times - is more expensive.

The right technology allows us to go beyond this "one size fits all" pricing to real-time pricing, letting consumers choose for themselves when and how they use energy.

Puget Sound Energy in the State of Washington is doing just that. Over 300,000 customers in the Puget Sound area now pay for energy based on the time of day they use it, instead of by a flat rate. Run your dishwasher after 9 PM, or do your laundry on Sunday, and you save money.

What's more, if consumers reduce their electric use by 10% or more compared to the previous year, they receive a 5-cent per kilowatt hour credit. And Puget Sound Energy customers receive an electric bill that clearly spells out how much and when power was used and shows how the price of a kilowatt hour fluctuates, leading to conservation and savings.

Savings to the consumer . . . greater return to the utility . . . less strain on the system . . . greater energy efficiency and conservation . . . everyone wins.

Beyond Fossil Fuels - The Hope of Hydrogen

To achieve our vision of cleaner, smaller and more efficient sources of energy, we will also expand our exploration of the role of fuel cells and hybrid engines.

Fuel cells, which can run on hydrogen, or traditional fuels that convert to hydrogen, offer the opportunity to address two different challenges. First, they may serve as the backbone of the distributed energy network I just discussed. Second, as the auto manufacturers are already discovering, they offer the opportunity to dramatically change the debate about fuel efficiency.

Hybrid vehicles, powered by traditional combustion engines and either batteries or fuel cells, already point toward a day when we can significantly curtail our reliance on foreign oil.

Earlier this year I glimpsed the future of fuel cells at DOE's Argonne National Lab. They are getting smaller, more powerful, and more useful, virtually every day. In just the past four years, they've reduced the fuel processing system from the size of a minivan to the size of the driver's seat in a minivan. And further advances are certainly on the horizon.

Seeing these fuel cells convinced me that our vision, which embraces the American commitment to a cleaner environment, provides a realistic path toward the use of energy in the future.

For centuries we have lived and prospered in a carbon-based economy. Fossil fuels powered ships, warmed homes, drove automobiles, fired the revolution in flight … and the revolution in information technology. Energy sources like coal and oil once

overcame an economy based on horsepower. So, I suspect, our carbon-based economy may itself pass from the scene to be replaced, perhaps, by hydrogen.

The President's Plan directs us to explore the possibility of such an economy and such a future. The use of hydrogen - if realized - offers the possibility of completely clean energy - its only byproduct is water. And, since hydrogen is the most common element in the universe, it offers an essentially limitless source of energy.

Energy Flowing Freely

Our vision of the future also embraces the idea that energy - and particularly electricity - can and should flow freely among our various states and with our neighbors, Mexico and Canada.

Since President Bush took office in January, we have worked closely with President Fox of Mexico, and we discussed the great promise of a hemispheric energy partnership. In particular, we are both looking at ways to improve infrastructure and ways to improve the cross border flow of energy. I can tell you he is very optimistic about the prospect of energy cooperation that goes well beyond anything considered in the past.

But unless we first tackle serious power generation and infrastructure challenges here at home, there is just no way we can think about such a hemispheric energy partnership.

Doing this requires that we get serious about addressing the limits to power generation … limits that brought California to its knees last winter. And it requires addressing the need to move that power from where it's generated to where it's needed most.

Our plan does these things. It would provide for a measure of common sense regulatory certainty that will ensure that new generating capacity comes on line. And it looks to a future with a national transmission superhighway that allows power to travel coast to coast with the same ease as the family automobile. In short, it is a future that looks far different from what we see today.

New Thinking on Conservation

Our vision of the future also imagines a broader view of how conservation can help meet our energy security needs. Today, when discussing conservation - or energy efficiency - we tend to be too narrowly focused on the **use** of energy. But, while the use of energy is important, it is only one side of the coin - we should also be focused on the efficiency with which we **produce** power.

Consider this: We have an installed power-generating base of about 800 gigawatts that produces power at only about 33% efficiency. If we increased that efficiency by just 7 percentage points - a very modest goal - we would have eliminated the need for about 186 power plants and reduced emissions at the same time.

This is precisely why we are promoting the expansion of the role of such things as combined heat and power systems -- systems that we know can dramatically boost efficiency.

Addressing Differences

More individual choice . . .Reliable and affordable electricity to power our homes and businesses . . . Cleaner sources of energy . . . Dramatic gains in energy efficiency . . . Less dependence on foreign energy sources. That is the vision that President Bush has presented the American people. It is a vision that relies on the creativity and ingenuity of many of you here today.

And it is a vision that I think we can all embrace.

In closing, I want to speak for a moment about how I hope we can work together as we move ahead. I was laughing the other day while going through the clips getting ready for this talk. My staff had highlighted some of the things the Alliance initially stated in commenting on the President's energy proposal.

They included:

- "The Bush Administration's energy plan is out of touch with what the American people need."
- "The plan is imbalanced - it provides lip service to energy efficiency and saves all the heavy lifting for increasing energy supplies."
- "An energy policy that only hints at energy efficiency and overemphasizes supply."
- "The Bush Administration has missed a major opportunity."

And my personal favorite:

- "Who's the real #1 loser [in the Bush energy plan]? The American people."

Now, let me be clear, my speech today was not intended to evoke recantations of earlier remarks. I do hope, though, that you have noted that the vision we've outlined here regarding our energy future is very consistent on efficiency issues with your own. If so, let's work together to identify the policies to make this vision a reality.

We have, after all, a common base of agreement. Energy efficiency and conservation are linchpins in our plan for long-term energy security.

In the area of energy efficiency, our agenda includes many of the very things you advocate. But, clearly, circumstances require that our agenda be a bit broader than just energy efficiency.

Attaining the energy security Americans deserve and will demand in the uncertain geopolitical future ahead, requires us to move beyond the stale debate of supply only or conservation only options. Contrary to some claims, we are not the Department of Unnecessary Energy Usage any more than you are the Alliance to Prevent Energy

Production. So, to me it makes a lot of sense for us to work together to accomplish the energy efficiency objectives I have outlined here.

David Garman, my assistant secretary for energy efficiency and renewable energy is doing a fantastic job. I want you to work with him and with me to accomplish these goals.

Conclusion

I have had the opportunity to work this year with many of the folks in this room. I have been struck by how many exciting ideas are out there that address the challenges we face. I have been impressed by the commitment so many of you have made to ensuring America's energy security.

I think, at this moment in time especially, that America deserves the best we can offer. The old rules of political engagement, of smashmouth confrontation and zero sum choices should no longer be tolerated, whether in the energy debate or any other. I propose we seek to set the tone for this new era. Working together, let's secure a stable and safe energy future for all Americans and demonstrate to others in the public policy arena that we can surmount areas of disagreement to achieve positive results.

Thank you.

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